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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

DFA5038 – FINANCIAL ACCOUNTING 3

(For Diploma Students Only)

10 MARCH 2016
9:00 A.M – 12:00 P.M
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of seven (7) pages only excluding the cover page.
2. There are **FIVE (5)** questions. The distribution of marks for each question is given.
3. Answer **ALL** questions in the answer booklet provided.

QUESTION 1**Part A**

CSY Sdn. Bhd. uses the periodic method of accounting for its inventory transactions. The table below shows the purchases and sales transactions that occurred during the month of September 2015 with the beginning inventory 3,000 units at a cost of RM10 per unit.

Date	Purchase Transactions	Units	Unit Cost (RM)
Sept 3	Purchases	3,500	12.00
10	Purchases	3,200	12.00
20	Purchases	3,500	18.00

Date	Sales Transactions	Units	Selling Price (RM)
Sept 5	Sales	3,200	18.00
27	Sales	6,000	22.00

Instructions

(a) Calculate the total units and total cost of goods available for sale. (3 marks)

(b) Calculate the total units of ending inventories. (3 marks)

(c) Determine the ending inventory balance at 31 September and the cost of goods sold for the month of September 2015 for CSY Sdn. Bhd. under each of the following cost flow assumptions:

- FIFO (3 marks)
- LIFO (3 marks)
- Average-Cost (2 marks)

(d) Which of the three cost flow assumptions will result in the highest cost of goods sold and state where the inventories are disclosed in the financial statements? (2 marks)

Part B

The process of determining the ownership of the inventory includes the goods in transit. Goods in transit are determined by the terms of sales.

Provide the **TWO (2)** terms of sales and explains each of them.

(4 marks)

[TOTAL 20 MARKS]

Continued.....

QUESTION 2**Part A**

Below were transactions made by Bella Rose Corporation for the year 2015. Assume all investments being made are short-term and readily marketable.

April 1	Purchased 16,000 shares of Mary Jane Corporation common stock for RM240,000.
June 2	Purchased 2,000 shares of Rosie Dunne Corporation common stock for RM90 per share.
July 1	Purchased 4,000 Lily Carter Corporation bonds for RM1,000,000.
July 30	Received a cash dividend of RM3 per share from Rosie Dunne Corporation.
Sept 15	Sold 480 shares of Rosie Dunne Corporation stock for RM100 per share.
Oct 1	Sold 4,000 shares of Mary Jane Corporation stock for RM54,000.
Dec 31	Received semiannual interest for RM40,000 from Lily Carter Corporation.
Dec 31	Received a cash dividend of RM4 per share from Rosie Dunne Corporation.

Instructions

(a) Journalize the above transactions. (7 marks)
 (b) Companies classify debt and stock investment into three categories which are *trading securities, available-for-sale securities and held-to-maturity securities*. Briefly explain the differences between these three. (6 marks)

Part B

FATA Corporation purchased 120,000 shares of common stock from Pelangi Putri Corporation as a long-term investment for RM3,600,000. During the year, Pelangi Putri Corporation reported net income of RM1,200,000 and paid dividends of RM400,000.

Instructions

(a) Assuming that the 120,000 shares represent a 10% ownership in Pelangi Putri Corporation:
 i. Prepare journal entry to record the stock investment and 10% cash dividend received from stock investment during the year. Show all workings.
 ii. How much will be the balance of Stock Investments account on FATA Corporation's books at the end of the year?
 (3 marks)

Continued.....

(b) Assuming that the 120,000 shares represent a 30% ownership in Pelangi Putri Corporation:

- i. Prepare the journal entry to record the stock investment, 30% equity from net income and 30% cash dividend received during the year. Show all workings.
- ii. How much will be the balance of Stock Investments account on FATA Corporation's books at the end of the year? Show all workings.

(4 marks)

[TOTAL 20 MARKS]

QUESTION 3

Part A

Aga and Tit are best friends since high school. They decided to combine their proprietorship businesses to start a partnership business named AgaTit Company. Given below are their assets before the formation of the partnership business.

	Book Value (BV)		Market Value (MV)	
	Aga RM	Tit RM	Aga RM	Tit RM
Cash	160,000	180,000	160,000	180,000
Office Equipment	100,000		80,000	
Accumulated Depreciation	(40,000)			
Accounts Receivable		80,000		80,000
Allowance for Doubtful Accounts		(14,000)		(20,000)
	<u>220,000</u>	<u>246,000</u>	<u>240,000</u>	<u>240,000</u>

Instruction

Prepare the journal entries to record the investment of Aga and Tit. (3 marks)

Part B

Kun and Yun are partners in KunYun Company. Given below are some of the items agreed by partners to be stated in the business partnership agreement.

- i. salary allowances of RM168,000 to Kun and RM120,000 to Yun,
- ii. interest allowances of 10% on capital balances at the beginning of the year, and
- iii. the remainder to be shared equally.

Continued.....

Capital balances on 1 January were Kun RM560,000, and Yun RM480,000. In 2015, partnership net income is RM440,000.

Instructions

(a) Prepare a schedule showing the distribution of net income. (5 marks)

(b) Journalize the allocation of net income. (1 mark)

(c) Show a partial schedule showing the distribution of net income if the net income is RM360,000. (3 marks)

Part C

SND Company is liquidated when its ledger shows the following assets, liabilities, and owners' equity accounts.

ASSETS	RM	LIABILITIES AND OWNER'S EQUITY	RM
Cash	100,000	Notes Payable	300,000
Accounts Receivable	300,000	Accounts Payable	320,000
Inventory	360,000	Sue, Capital	300,000
Equipment	700,000	Noh, Capital	356,000
Accumulated		Din, Capital	24,000
Depreciation - Equipment	<u>(160,000)</u>		<u>1,300,000</u>
	<u>1,300,000</u>		<u>1,300,000</u>

The partners of SND Company agree to liquidate the partnership on the following terms:

- i. The partnership will sell its non-cash assets to WG Company for RM1,500,000 cash.
- ii. The partnership will pay its partnership liabilities. The income ratios of the partners are 3: 2: 1, respectively.

Instruction

Prepare all the necessary journal entries for the liquidation of a partnership above. (8 marks)

[TOTAL 20 MARKS]

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QUESTION 4**Part A**

Following are independent transactions:

1. On 1 September 2015, Cherry decided to borrow RM360,000 from CDP Bank on a 4-month, 10% note for her business.

Instructions

- Prepare the entry on 1 September 2015. (1 mark)
- Prepare the adjusting entry on 31 December 2015, assuming monthly adjusting entries have not been made. (1 mark)
- Prepare the entry at maturity (1 January 2016). (1.5 mark)

2. On 31 January 2015, the cash register reading for Betty Bow shows sales of RM200,000 and sales taxes of RM12,000 (sales tax rate of 6%).

Instruction

Show the journal entry to show the sales tax effect on that date. (1.5 marks)

3. KitchenAid is renowned for selling premium kitchen appliances. In year 2015, KitchenAid sells 200,000 cake mixers at an average price of RM2,000 each. The selling price includes a one-year warranty on parts. KitchenAid expects that 10,000 units (5%) will be defective and that warranty repair costs will average RM1,000 per unit. The company honors warranty contracts on 1,000 units at a total cost of RM440,000. On January 2015, the company replaces 500 defective units at an average cost of RM1,000 in parts and labour.

Instruction

Show the necessary journal entries to record the warranty effect for the transaction above. (3 marks)

4. Pelangi Company publishes a monthly cooking magazine, *Aneka Juadah*. Subscriptions to the magazine cost RM120 per year. During October 2015, Pelangi Company sells 40,000 subscriptions beginning with the November issue. Pelangi Company prepares financial statements quarterly and recognizes subscription revenue earned at the end of the quarter. The company uses the accounts *Unearned Subscriptions* and *Subscription Revenue*.

Instructions

- Prepare the entry in October for the receipt of the subscriptions. (1 mark)
- Prepare the adjusting entry at 31 December 2015 to record subscription revenue been earned. (1 mark)
- Prepare the adjusting entry at 31 March 2016 to record subscription revenue earned in the first quarter of 2016. (1 mark)

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Part B

Home Depot Company is a retailer of home improvement and construction products and services. On 1 January 2015 the ledger of Home Depot Company contains the following liability accounts.

	RM
Account Payable	525,000
Sales Taxes Payable	158,000
Unearned Service Revenue	258,000

During January the following selected transactions occurred.

Jan 1	Borrowed RM300,000 in cash from CDP Bank on a 4-month, 8% note.
5	Sold merchandise for cash totaling RM208,000 which includes 4% sales taxes.
12	Provided services for customers who had made advance payments of RM190,000.
14	Paid state treasurer's department for sales taxes collected in December 2014, RM158,000.
20	Sold 8,000 units of a new product on credit at RM62 per unit plus 4% sales tax. This new product is subject to a 1 year warranty.
25	Sold merchandise for cash totaling RM249,600 which includes 4% sales taxes.

Instructions

(a) Journalize the January transactions. (7 mark)

(b) Journalize the adjusting entries at January 31 for:

- i. the outstanding notes payable, and
- ii. estimated warranty liability assuming warranty costs are expected to equal 5% of sales of the new product. (2 marks)

[TOTAL 20 MARKS]

Continued.....

QUESTION 5

Ziyara Bhd.'s financial information for year 2014 and 2015 are presented below.

	2015	2014
	RM	RM
Building	92,941	92,941
Motor Vehicle	50,486	45,486
Office Equipment	38,952	25,894
Cash	15,795	22,846
Inventories	24,864	17,141
Account Receivables	18,246	30,424
Prepaid Expenses	5,500	3,500
Capital	185,000	154,086
Account Payables	50,413	68,451
Salary Payable	11,371	15,695

Ziyara Bhd.'s sales for year 2015 consist of RM20,000 cash sales and RM80,000 credit sales and the cost of goods sold of RM45,000.

Instructions

- (a) Prepare a horizontal analysis of the Statement of Financial Positions for Ziyara Bhd. (8 marks)
- (b) Prepare a vertical analysis of the Statement of Financial Positions for Ziyara Bhd. for year 2015 only. (4 marks)
- (c) Compute the following ratios for year 2015 and explain each of them.
 - i. Current ratio
 - ii. Acid-test ratio
 - iii. Receivables turnover
 - iv. Inventory turnover
 (8 marks)

[TOTAL 20 MARKS]

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